

PRESENT AND POSSIBLE POST-WAR PROBLEMS OF ADJUSTMENT IN AGRICULTURE  
 Prepared by the Economics Section

General Economic Conditions

Income

1. National income has increased from approximately 40 billion in 1932 to an estimated income of 74 billion in 1940; an increase of 54 percent.
2. An additional gain of 10-15 percent is expected for the years 1941 and 1942, respectively. This would represent new all-time highs.
3. Agricultural income has increased from 4,682 million dollars in 1932 to an estimated 8,900 million dollars for 1940; an increase of 53 percent.
4. Agricultural income is also expected to increase in 1941 and 1942 but perhaps not as rapidly as non-agricultural income.
5. Farm income depends upon quantity sold, price, and government payments. Not much change expected in total quantity of farm products sold in 1941, but prices will be somewhat higher -- perhaps 8 percent.

Table I.

National Income in Millions of Dollars, 1929-41				
Year	Total	Non-Agricultural	Agricultural <sup>1/</sup>	Percent of Agr'l. Income to Total
1929	82,885	71,664	11,221	13.5
1930	68,901	60,018	8,883	12.9
1931	54,310	48,027	6,283	11.6
1932	40,074	35,392	4,682	11.7
1933	42,430	37,021	5,409	12.7
1934	50,347	43,627	6,720	13.3
1935	55,870	48,328	7,542	13.5
1936	65,165	56,666	8,499	13.0
1937	71,172	62,060	9,111	12.8
1938	63,610	55,538	8,072	12.7
1939	69,378	60,838	8,540	12.3
1940 <sup>2/</sup>	74,100	65,200	8,900	12.0
1941 <sup>2/</sup>	83,600	74,100	9,500	11.4

<sup>1/</sup> Cash plus government payments.

<sup>2/</sup> Estimated.

Note: Non-agricultural income based on the difference of the total annual income figures minus total annual agricultural income.



### Domestic Production

1. Prospects of improved farm situation depends greatly on increased industrial activity and this in turn depends almost entirely on our national defense program plus sales (largely industrial products) to the United Kingdom.

2. To date Congress has authorized the expenditure of 17 billion dollars for defense. More will be needed, perhaps 35 billions in all, over a 5-year period. This would mean the spending of perhaps 7-8 percent of our annual national income for defense compared to Germany's 50 percent for war purposes.

3. Defense expenditures will stimulate many types of industries and domestic trade in general. Building-up process will not be completed until 1942. However, spending for defense and war materials will not permanently increase our standard of living -- unproductive goods.

4. Index of industrial production expected to average 120 for 1940. On basis of revised Federal Reserve Index this is an all-time high and estimates point to an additional 20-25 percent increase by 1942.

5. Any recession resulting from an early termination of the war would be minor because of accelerating pressure for adequate defense. This pressure would be further increased by early Axis victory.

6. Expansion in industrial employment and armed forces expected to reduce the non-agricultural unemployed by 4 million by 1942. Unemployed now number about 8 million. Shortage of skilled labor along some lines already acute. Total non-agricultural population has increased considerably since 1929, making available more potential workers.

7. Agricultural production not expected to increase much during near future. In fact the per capita production of food and feed crops has decreased 14 percent in the past 25 years due to population increasing more rapidly than production.

8. Adequate supplies of agricultural products with existing surpluses in some cases dominate the situation.

Table II

Index of Agricultural and Industrial Production in U.S., 1929-40				
Year	: All Crops <sup>1/</sup>	: All Livestock and Livestock Products <sup>1/</sup>	: Total Agricultural <sup>1/</sup>	: Industrial <sup>2/</sup>
1929	97	104	101	110
1930	95	105	101	91
1931	104	109	107	75
1932	90	107	100	58
1933	82	109	97	69
1934	70	112	94	75
1935	85	98	92	87
1936	81	106	95	103
1937	115	104	109	113
1938	100	107	104	88
1939	100	113	107	108
1940 <sup>3/</sup>	99	115	108	120

<sup>1/</sup> 1924-29 = 100.

<sup>2/</sup> Revised Federal Reserve Board Index, 1935-39 = 100.

<sup>3/</sup> Estimated.

Table III

Non-Agricultural Employment and Population in the U.S., 1929-40 (1929=100)		
Year	: Population (Jan.1)	: Employment
1929	100.0	100.0
1930	101.4	93.8
1931	102.4	85.9
1932	102.8	77.1
1933	102.9	77.6
1934	103.8	84.2
1935	104.7	87.4
1936	105.7	93.1
1937	106.7	97.8
1938	107.7	91.5
1939	108.6	94.3
1940	109.6	-----

Source: Bureau of Agricultural Economics; Bureau of Labor Statistics.



### Domestic Demand

1. Demand for both production and consumption goods is already improved and will be stimulated considerably by higher prospective incomes, increased employment, and orders for future delivery.
2. Business men anticipating better business in the future are becoming less cautious in their buying policies. As yet inventories have not been built up so as to become burdensome.
3. Backlogs of orders continue to increase and insure a high rate of activity for some time in the future.

### Prices

1. Trend of prices will continue irregularly upward at least as long as war lasts. This includes prices of farm and non-agricultural products, all wages, cost of living, transportation and distribution costs. Rate of increase will not be rapid in the near future nor until full employment is reached.
2. Prices of some farm products such as meat animals, vegetables, poultry and dairy products, some fruits and wool, are expected to strengthen as a result of increased buying power of consumers.
3. Government loans and export policies will determine the prices of surplus commodities such as wheat, tobacco, and cotton.
4. It seems doubtful if farmers' purchasing power will average much higher in 1941 or 1942 because prices paid are expected to rise almost, and in some instances even more rapidly than prices received.
5. Higher prices, increasing demand, prospective and actual shortage in some materials, increased purchasing power and employment, easy credit, large bank reserves and deposits, all tend to "set the stage" for some kind of inflation which may or may not develop in the near future.
6. Factors tending to retard inflation are, credit available for great industrial expansion without strain, exporting countries anxious to sell which will tend to hold down inflation, several agricultural commodities already have their prices supported above competing levels, policy of Federal Government has been to hold prices down and promises to continue, and the unusual capacity of some of our industrial plants along with unemployed labor will also tend to hold the general price level in check.

Table IV

Index Numbers of Wholesale Prices, by Specified Groups, Farm Wages, Income of Industrial Workers, and Cost of Living in the United States, 1929-41  
(1910-1919 = 100)

Year	Prices				Income : of Ind. : Workers <sup>1/</sup>	Cost : of Living <sup>1/</sup>
	Wholesale Prices : All Commodities	Farm : Products	Non-Agr'l. : Products	Farm : Wages		
1929	139	147	138	180	107	99
1930	126	124	127	167	88	96
1931	107	91	110	130	67	88
1932	95	68	101	96	46	79
1933	96	72	102	85	48	76
1934	109	92	114	95	61	78
1935	117	111	119	103	69	80
1936	118	113	120	111	80	81
1937	126	121	128	126	94	84
1938	115	96	119	124	73	82
1939	112	92	120	124	83	82
1940 <sup>2/</sup>	115	96	122	---	--	--
1941 <sup>2/</sup>	123	103	130	---	--	--

<sup>1/</sup> 1924-1929 = 100.

<sup>2/</sup> Estimated.

Source: Agricultural Statistics, and the The Agricultural Situation.

#### Foreign Demand

Not promising.

1. U. S. exports to England during war will be held to "essential" materials with some foods included.

2. With British blockade of continental Europe there is little opportunity of disposing of our surplus commodities in that area.

3. Some opportunity to expand our export trade in the Western Hemisphere but these opportunities center around industrial products.

4. Trend in U. S. agricultural exports has been gradually downward since 1900. First world war and our foreign loaning policy during the twenties stimulated exports but since 1929 downward trend has been resumed and probably will continue. Exports in 1939 estimated to be almost a third less than at the beginning of the century. Agricultural imports have increased by 300 percent during the same period and now are approaching a value twice as great as our exports. However, the total value of our imports are only about half as great as they were from 1915 to 1929.



5. U. S. agricultural exports have declined because of growth in domestic population, efforts toward self-sufficiency in Europe, unwillingness of the U. S. to trade goods for goods, mounting tariff and trade barriers at home and abroad, competition of other exporting countries such as Canada, Argentina, and Australia, and recently because of war controls and blockades.

6. Although there may be a scramble for food at the close of the war, this will likely be only temporary and other nations stand to gain to a greater extent than the United States. Food shortages in Europe at the present time, due to disruption of transportation and distribution on land and blockades at sea. World food supply above normal.

Table V.

Value of Agricultural Exports and Imports in Millions of Dollars, United States, 1900-39

Year	:	Exports	:	Imports	:	Year	:	Exports	:	Imports
(Beginning July)						(Beginning July)				
1900		949		418		1920		2,606		2,059
1901		855		436		1921		1,915		1,370
1902		877		484		1922		1,797		2,077
1903		858		499		1923		1,867		1,875
1904		825		601		1924		2,280		2,057
1905		975		597		1925		1,892		2,529
1906		1,053		683		1926		1,908		2,281
1907		1,016		573		1927		1,815		2,194
1908		901		696		1928		1,847		2,178
1909		869		787		1929		1,496		1,900
1910		1,029		767		1930		1,038		1,162
1911		1,048		882		1931		752		834
1912		1,121		909		1932		590		614
1913		1,112		993		1933		787		839
1914		1,474		992		1934		669		934
1915		1,516		1,342		1935		766		1,141
1916		1,966		1,592		1936		732		1,537
1917		2,279		1,822		1937		891		1,155
1918		3,579		3,096		1938		640		999
1919		3,850		3,410		1939		684		1,239

Source: Agricultural Statistics, and Foreign Crops and Markets.

## Adjustments

1. As applied to the individual farm.
  - a. Increased attention to labor efficiency, emphasizing production per man. Increased competition for farm labor means higher farm wages.
  - b. Cut production costs and improve efficiency through the use of proven production and farm management practices.
  - c. Use part of any increased income to improve farm buildings, home, farm machinery and equipment.
  - d. Adjust debts downward -- easier to pay with rising prices.
  - e. While price trend is upward reasonable inventories are desirable, if they can be quickly liquidated for cash.
  - f. Build up financial reserves for future needs.
  - g. Avoid overexpansion or drastic changes in farming plans.
  - h. Continue land-use programs stressing conservation and best use of farm land.
  - i. Hold good farms purchased at low prices as they are good investments.
  - j. Good time for young man to start farming if he has experience, training, and reasonable equity, but reduce debts as rapidly as possible and avoid expansion on small equity.
  - k. Base decisions on timely economic information -- where we have been, where <sup>we</sup> are, and where we seem to be going.
  - l. Eliminate as much speculation, costs and duplication of effort in the marketing process as possible, and sell on the basis of true market value.
2. As applied to the industry.
  - a. In view of long-time downward trend in agricultural exports sound planning will consider adjusting agricultural production toward domestic consumption levels.
  - b. If during the course of the present war or immediately thereafter conditions are such as to dictate that the



United States should help to feed war-torn Europe, great care will be necessary to prevent overexpansion in the industry. High prices breed temptation.

- c. Expansion of domestic consumption should be encouraged and promoted through more efficient distribution, development of new outlets, instituting more effective methods and efficient facilities, and through the programs of the Surplus Marketing Administration.
- d. With plentiful food supplies at home, any prevailing obstacles should be overcome in supplying balanced diets and the protective foods to those who need them.
- e. Continue and expand planning land use and land-use adjustments, which will insure better conservation of the soil, the best use of land and production which meets present and prospective needs.

Adjustment questions for discussion:

1. In case the market demand for certain export commodities should be materially and permanently decreased as a result of the war -- e.g., cotton, flue-cured tobacco, wheat, certain classes of fruits:

In what areas in each State could farmers best afford to shift to other enterprises or occupations, what are the alternative enterprises or occupations, and what effect would this have on farm employment, farm income, and the farm home.

2. Considering that almost 1,500,000 agricultural workers were either unemployed, employed on emergency work, or partially employed in 1937, and that a large number of farmers on poor land or extremely small units are under-employed.

For how many of these disadvantaged farm people or farm families can additional employment or a better way of life be found in each county through such devices as a conservation works program, bringing new land into cultivation, splitting up large farms, the development of more efficient and better organized subsistence farming, or training for industrial work which may develop in connection with the Defense Program?